



F-35 Lightning II Program

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PRINCIPLE AGREEMENT REACHED ON TWO LOWER COST F-35 CONTRACTS

Washington D.C., July 30, 2013 – The U.S. Department of Defense and Lockheed Martin reached an agreement in principle for the next two F-35 Lightning II aircraft production contracts (Low-Rate Initial Production (LRIP) lots 6 and 7), which is expected to include 71 stealth fighter aircraft and continue a reduction in F-35 aircraft pricing. The contracting effort spanned six months from proposal to settlement.

A decrease in F-35 LRIP 6-7 unit costs, coupled with negotiating lower prices on a number of other smaller contracts, will allow the Department to purchase all the aircraft originally planned, including those that were in jeopardy of being cut due to sequestration budget impacts.

Cost details will be released once both contracts are finalized; however, in general, the unit prices for all three variants of the U.S. air vehicles in LRIP-6 are roughly four percent lower than the previous contract. LRIP-7 air vehicle unit prices will show an additional four percent reduction. The LRIP-7 price represents about an eight percent reduction from the LRIP-5 contract signed in December 2012.

"These two contracts represent a fair deal that is beneficial to the government and Lockheed Martin," said Lt. Gen. Chris Bogdan, F-35 Program Executive Officer. "Improving affordability is critical to the success of this program, and by working together we were able to negotiate a lower cost F-35. There is still work to be done, but these agreements are proof the cost arrow is moving in the right direction. We will continue to work with industry to identify areas for savings in future production contracts."

The new contracts will also include the first F-35s for Australia, Italy, Norway, and the fourth F-35 for the United Kingdom. In addition to procuring the air vehicles, these contracts also fund manufacturing-support equipment and ancillary mission equipment.

Deliveries of 36 U.S. and partner nation aircraft in LRIP-6 will begin by mid-2014 and deliveries of 35 U.S. and partner nation aircraft in LRIP-7 will begin by mid-2015.

"At the start of these negotiations, the F-35 Joint Program Office and our F-35 team jointly committed to conduct LRIP-6 and -7 negotiations in an efficient manner that leveraged all we achieved from the LRIP-5 contract," said Lorraine Martin, Lockheed Martin F-35 Vice President and General Manager. "Today's agreement reflects our collective JPO/LM delivery on that commitment. We know how critical aircraft production is to meeting our services' Initial Operational Capability dates, beginning with the Marine Corps in 2015, and we're committed to making that happen."

The LRIP-6 and -7 aircraft will join the 95 F-35s contracted under LRIPs 1-5. To date, 67 F-35s (including test aircraft) have been delivered from Lockheed Martin's production facility in Fort Worth, Texas. The U.S. and eight partner nations plan to acquire more than 3,100 F-35 fighters. Israel and Japan have also announced plans to purchase the jet under Foreign Military Sales agreements.

The agreement in principle reached between the Government and Lockheed Martin are for air vehicles and do not include the propulsion systems. The LRIP-6 engine contract is currently being negotiated between the Government and Pratt & Whitney.